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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

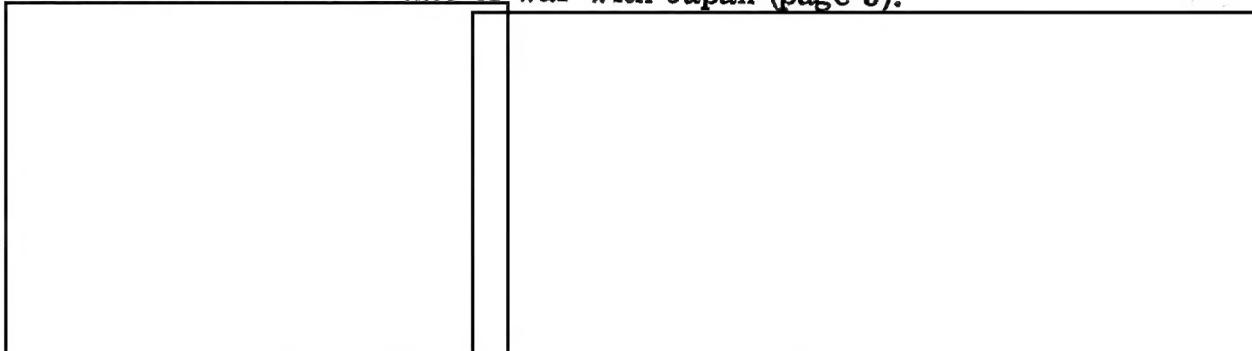
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GENERAL

25X1A^{1.} India to terminate state of war with Japan:

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The Indian representative in Tokyo approached the US Political Adviser on 7 September and declared his government's desire to exchange notes with Japan, which would terminate the state of war between the two nations, indicate India's intention to proceed with negotiations for a bilateral treaty, and give India the rights and benefits conferred on the Allied Powers by the multilateral peace treaty.

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While the proposed declaration would not become effective until after the multilateral treaty comes into effect, the Indian Government desires to make the text public immediately following the signing of the multilateral treaty, possibly on 10 September.

Comment: India's quick action to terminate the state of war, after having refused to attend the San Francisco conference, again emphasizes its continuing efforts to assert independence of action. Since India has renounced reparations, its wish to retain the same rights and benefits as the signatories of the multilateral treaty may be based primarily on a desire to protect Indian property rights in Japan and to retain trade benefits.

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SOUTH ASIA

6. Comment on Nehru's election as president of the Congress Party:

The resignation of Tandon as president of the India Congress Party and the subsequent election of Nehru to replace him, indicates that once again Nehru has, on the basis of personal preeminence, managed to beat down the opposition and that, for the time being, he is in control of the party.

While the rightist Tandon group may be expected to resist Nehru's efforts to control the nomination of candidates for the national elections in early 1952, Nehru's present victory indicates that he will be in a strong position to force the acceptance of his own candidates.

NEAR EAST

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7. Iran contemplates requesting oil experts from UN:

The Iranian representative to the current UN Economic and Social Council meeting in Geneva has queried the US delegate about the American attitude in the event that the UN complied with his request to run Iran's oil industry and employed US citizens for the job. Asserting that the Iranian representative in New York was being instructed to ask the UN to secure experts under the Technical Assistance Program, the Iranian added that if this request were not answered Iran planned to appeal to the General Assembly.

Comment: On 30 August, the Iranian representative, an ardent supporter of nationalization, urged his government to consider seriously his proposal that the UN supply Iran with oil experts. Iran, which has to date been unable to obtain foreign assistance in operating its oil industry, may yet attempt such a maneuver. However, it is more likely that cooler heads will prevail and the Iranian Government will

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realize that any plea to the General Assembly on this subject would fail.

EASTERN EUROPE

8. Albanian Cabinet shift does not indicate purge:

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The release of Mehmet Shehu as interim Minister of State Control was announced on September 7, along with the replacement of the Minister of Agriculture and the acting Minister of Justice.

Comment: There is no reason to believe that the shuffle of Albanian Cabinet posts is an indication of a purge in the government. Mehment Shehu still retains his more important position of Minister of Interior, and the acting Minister of Justice apparently retains his post as a Vice Premier. The appointment of Hysni Kapo, a Politburo member with long experience in political leadership, to the Ministry of Agriculture indicates that the socialization of Albanian agriculture will advance at an increased tempo.

9. Reorganization of Czech Communist Party increases Gottwald's powers:

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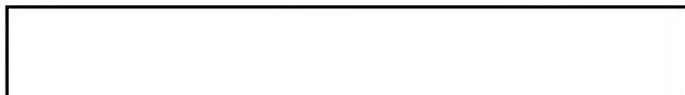


Secretary General of the Czech Communist Party Rudolf Slansky has been relieved of his duties, and will not be replaced. His former duties will be turned over to the

Chairman of the party, currently Klement Gottwald. At the same time, a Politburo and an Orgburo (organizational secretariat) have been set up. The seven members of the Politburo include Slansky and Gottwald, as well as other leading Communists. The Orgburo consists of Gottwald and the secretaries of the Central Committee.

Comment: There is no evidence that the transfer of power from Slansky to Gottwald stems from "nationalist

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deviation"; in fact, evidence indicates that both men have been loyal adherents to Moscow. The decentralization of power in the party's leadership follows Soviet expressions of dissatisfaction with conditions in Czechoslovakia, where economic difficulties have been mounting. While Gottwald's power has increased at Slansky's expense, the establishment of a Politburo may preclude any such centralization of power as that previously held by Slansky. Before the war the Communist Party was organized along traditional lines with a Politburo and an Orgburo, but these two bodies are not known to have existed since the war.

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WESTERN EUROPE

10. Italy ready to negotiate on Trieste issue:

The Italian Government has informed the British that it is disposed to enter into negotiations with Yugoslavia over Trieste, provided the Yugoslavs are also so inclined. The Government pointed out that for some time the adamant stand of the Yugoslavs on this issue has made negotiations impossible.

Comment: According to Prime Minister De Gasperi the Italians and Yugoslavs were recently engaged in pour-parlers over a solution on Trieste. No progress is believed to have been made.

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11. Allies map countermeasures in Berlin:

Meeting in Berlin on 6 September, the Allied Deputy High Commissioners and Berlin Commandants discussed means of combatting the latest Soviet squeeze on West Berlin.

They decided to dispatch a letter to Soviet authorities protesting interferences with free Allied access to Berlin, and to instruct German officials to submit proposals on the imposition of a tax both on East

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German barges traveling in West Berlin canals and on East German vehicles traveling in Western Germany. These countermeasures will be implemented by 17 September at the latest if the USSR fails to remove its restrictions as requested. They further decided that the West should provide all possible assistance to alleviate Berlin transport difficulties, particularly with respect to such perishable shipments as milk.

The meeting was characterized by French reluctance to adopt firm retaliatory measures. France even suggested that the Allies permit the signing of an interzonal trade agreement between East and West Germany, but the US and UK representatives, rejecting the proposal, emphasized that yielding to Russian pressure would represent "a horrible loss of face for the West." German officials from the Federal Republic and West Berlin who were called in to discuss the situation with the Allies showed little enthusiasm for firm counter-measures.

Comment: In applying its recent series of harassing measures in Berlin, the USSR has succeeded in creating a situation where discussion of countermeasures in each case inevitably produces division and haggling among Allied and German officials, therefore reducing the chances for effective retaliation.

25X1A 12. Austrian Chancellor reported threatened by party revolt:

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Socialist Vice-Chancellor Schaerf has informed US Commissioner Donnelly that rightist elements of the conservative People's Party, spear-headed by governors of the Western provinces and by several Cabinet ministers including Foreign Minister Gruber, are seeking to replace Chancellor Figl with someone more sympathetic to their views. Characterizing the maneuvering as the beginning of a "Facist" movement, Schaerf asserts that Figl may survive until the next general election in 1953, but adds that the opposition is strong. The Socialists, Schaerf contends, fear the coalition may break down; he asserts that they will never participate in a government that includes both the People's Party and the near-reactionary Union of Independents.

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In a subsequent conversation with Donnelly, Figl denied that either the coalition or his own position was in danger. He described the opposition leaders within his party as "provincial almighty's" who criticize but are unwilling to accept responsibilities outside their own provinces.

Comment: The Chancellor's dismissal of opposition to this party leadership as "provincial" is scarcely supported by the facts. Defeated presidential candidate Heinrich Gleissner, as governor of Upper Austria, has openly flouted government policies in the meat crisis. While supporting the Chancellor, the Socialists themselves have not been averse to encouraging defection of People's Party members to splinter groups on the extreme right. Any coalescence of these dissident groups in some rightist bloc aligned with the Union of Independents will make it extremely difficult for the coalition to continue in its present form.

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